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Volume and Characteristics of Microenterprise in Mexico and Strategies for its Follow-up

1. Introduction.

In Mexico, the purpose of knowing the characteristics of the microestablishments operating in the country is met with information provided by the system of Economic Censuses which takes a picture of the economic sector every five years. This information is used to elaborate the establishment listings which make up the frame of economic units.

However, given the dynamic behaviour of the sector, it is important to have mechanisms which enable us to know its evolution and tendencies in a more timely manner.

Even though there are several sources that theoretically should make it possible to know all the movements in these economic units in a comprehensive and continuous manner, the fact is that these sources have important limitations due to their process of capture, the characteristics of our economic system and the ways and customs derived from our cultural traditions regarding tax matters. This makes it necessary to consider a combination of the sources in order to have an updated frame of microestablishments. This paper describes the frame of microestablishments derived from the Economic Censuses of 1999, as well as a characterization of the various sectors of economic activity. Also, the different sources for its updating are analyzed to reach conclusions about the feasability of using them to conform an integrated updating system for the frame of microestablishments.

1. Definitions.

An establishment is defined as an economic unit which has a single location and combines resources under a single owner or control to engage on its own behalf or on behalf of others (maquila) in economic activities such as: assembly, processing, transformation, distribution, purchase-sale, extraction and/or to perform a service.

In order to define the microestablishments, it is necessary to differentiate them by sector of activity; for the sector of manufacturing industry they are those that employ from 1 to 15 persons, and for the commerce and services sectors, those that employ from 1 to 5 persons.

The ranges of occupied personnel described above remained unchanged for 1988 and 1993, and in 1998 the range was modified to 30 persons for the manufacturing sector and 20 persons for the services sector.

For study purposes the ranges of occupied persons considered are those used for the years 1998 and 1993.

2. Characteristics of the microestablishments in the main sectors of activity for the Economic Censuses of 1999, with information refering to 1998.

The following table shows the distribution of the microestablishments in absolute and relative values in terms of number, occupied personnel and income for the main sectors of activity, as well as the total units covered by the census.

Participation of the microestablisments by sector of activity

Sector	Total of Establishments	Microestablishments %	Occupied Personnel %	Income %
Total	**2,722,717**	**92.8**	**38.6**	**14.0**
Manufacturing Industry	340,469	91.9	20.8	5.1
Commerce	1,443,676	94.9	58.1	20.1
Non-financial Private Services	938,572	90.0	39.1	20.3

Through an analysis by sector of economic activity we can state the following:

Manufacturing Industry.

Even though 92% of this sector consists of microestablishments, they account for only 21% of occupied personnel and 5% of the income of the sector. From this we can say that microestablishments only contribute to the number of establishments variable.

Commerce.

In this sector microestablishments participate with 95% of the establishments, 58% of the occupied personnel and 20% of the income variable. From this we can say that for this sector, microestablishments contribute fundamentally to the number of establishments and to the occupied personnel.

Services.

In this sector microestablishments participate with 40% of occupied personnel and with 20% of income. From this we can say that their behaviour is similar to that of the commerce sector, except that the participation in occupied personnel is 18% less.

The following table shows the growth rates for the different censuses.

Growth Rates for the Number of Establishments Variable

Sector	1988 vs. 1993		1993 vs. 1998	
	Total %	Micro %	Total %	Micro %
Total	**66.9**	**69.1**	**24.6**	**24.5**
Manufacturing Industry	91.2	101.3	28.3	28.6
Commerce	60.3	61.8	19.3	19.4
Non Financial Private Services	72.1	73.8	32.4	32.0

In this table we can see an increase in the total number of establishments and microestablishments for all the sectors in the various censuses. From 1998 to 1993 the growth is the largest, more than 66%, and the manufacturing sector shows an outstanding growth, doubling the number of microestablishments.

It can be said that the growth in the three sectors is caused by the growth in the microestablishments, since they represent around 90% of the total for all sectors.

As can be seen in the previous table, for 1998 vs. 1993 the growth in microestablishments is 24.5%. However, considering that the permanence rate for the same period was 79%, it turns out that the actual percentage of births is 45.5%.

As a result of this first analysis, it can be concluded that apart from the differences in the distribution of microestablishments by sector of activity, their behaviour with respect to mobility creates a serious problem, since they present high rates of births and deaths.

3. Analysis of the possible sources for updating the Business Register.

In face of the need for sources of information for the updating of the listing of economic units in the period between censuses, an analysis was made of the different Mexican institutions or organizations that maintain a register of businesses for social, economic, development or taxation ends, finding that only two of these registers are of compulsory compliance.

Their usefulness as alternative updating sources is studied in terms of their congruence with the variables collected by the censuses.

3.1 The register of the Instituto Mexicano del Seguro Social (IMSS)

The objective of the IMSS is to provide health and social security services to Mexican workers and their families. For this reason, every business, microestablishments included, has the obligation to register in the Institute and pay the corresponding fees.

The following table shows the characteristics of this register.

	Description	Advantages	Disadvantages
Observation Unit.	The establishments in the manufacturing, construction, commerce, communications and services sectors.	It is the same observation unit used for the censuses.	
Level of Integration of the Information.	The information is collected at state level and integrated at regional and national levels.		Difficulties are foreseen to obtain the integrated file in short periods.
Classifier.	Every establishment is classified according to working risk, there is a minimum classification per sector of activity.	There is an activity description that allows an ad hoc classification.	The information must be treated in terms of the classifier.
Periodicity.	There are no specific dates to enroll, so the data base is continually modified.	There are no restrictions for setting a cut-off date for obtaining updated records.	
Variables captured in the the data base.	◆ Name. ◆ Delegation (IMSS). ◆ Register number. ◆ Full address. ◆ Situation of the enterprise. ◆ Economic activity and type. ◆ Quantity and type of machinery and equipment. ◆ Personnel.	There is an updated register of the business location and personnel.	The income variable is not obtained.
Compulsory Compliance.	All establishments regardless of class have the obligation to enroll in this institution.	The register is exhaustive.	There is an underregister because of the tendency for fee evasion by the businesses.

3.2. The register of the Secretaría de Hacienda y Crédito Público (SHCP).

The SHCP is the institution responsible for the collection of the fiscal payments that every enterprise is compelled by law to make to the federal government, so that is registers all the movements of births and deaths of the economic units of the country. The characteristics of this register are shown in the following table.

Characteristic	Description	Advantages	Disadvantages
Observation Unit	Natural or legal persons which carry out some activity included in the fiscal law. The establishments can be identified.	Observation unit compatible with the census unit.	
Level of Integration	State and national levels		The integration of the information is subject to dates fixed by the SHCP.
Classifier	It has a classifier specifying the economic activity of the establishments.		It is necessary to match the SHCP and census classifiers.
Periodicity	The periods are established for the taxpayers according to the regime they are in.		The cut-off dates for updating would be subject to the periods set by the SHCP.
Variables captured in the data base	♦ Name ♦ Number of Federal Register of Taxpayers ♦ Population Register Code ♦ Regional office number (SHCP) ♦ Full address ♦ Income	All location data are available.	The occupied personnel variable is not collected.
Compulsory Compliance	All establishments have the obligation to notify the inception or end of activities to the SHCP.	All establishment births and deaths are collected.	Underregister because of tax evasion mainly in the case of microestablishments.

None of these two updating sources by themselves assure the collection of complete information about the evolution of the formal microestablishments in their quantity, occupied personnel or income. The IMSS register does not collect income, while the SHCP does not collect occupied personnel.

Because of this, the strategy for updating the Frame of Microestablishments in the Formal Sector is to reach agreements with the SHCP and the IMSS for the periodical use of their data bases for the updating of the directory in reference to births and deaths of economic units and to the variables of occupied personnel and income.

Up to this point, the discussion has been about the problems encountered in the follow-up of the establishments in the formal sector of the economy. However, it is important to point out that in Mexico there is a high percentage of this type of businesses that work informally, that is, are not registered in any public institution and do not carry out their activities in fixed and visible installations which would make it possible to locate them, operating instead inside what appear to be private dwellings.

According to data supplied by the National Microbusiness Survey, the informal sector represents 56.7% of the total of occupied persons.

3.3 Area sampling in dwellings to gather information about the evolution of the Informal Sector
The best alternative for updating the information about microestablishments in the informal sectors is to use area sampling as the basis for the estimation of the variables which indicate the tendency in the behaviour of these establishments.
For this purpose, starting in 1992, the National Microbusiness Survey has been carried out. The main characteristics of this survey are described below.

Sample Design

Target Population
All microbusinesses belonging to any of the following economic activities:
♦ Manufacturing Industry.
♦ Construction.
♦ Commerce.
♦ Non Financial Private Services.
♦ Transport.

The businesses are identified by the National Urban Employment Survey (NUES)*****.
For this survey, a microbusiness is considered to be an economic unit with up to six occupied persons including the owner and workers, paid or unpaid, in the following activities: Construction, Commerce, Services and Transport, and up to 16 persons in the Manufacturing Sector.

Survey Frame.
The sampling frame is the list of dwellings with persons which have any type of business, detected by the NUES.

Geographic Coverage.
The survey provides results for the grouping of 48 metropolitan areas.

Sampling Units.
The sampling units for the survey are all the dwellings with persons which have any type of business, detected by the NUES.

Sampling Scheme.
The Microbusiness Survey uses a subsample of the NUES, and in its initial stages keeps the same design as the NUES: probabilistic, three stage, stratified and cluster sampling.

It has three stages because the dwelling, defined as the last sampling unit, is selected in three stages; stratified because in the first selection stage the units are grouped according to their socio-economic situation; and cluster sampling because the different selection units are groups of dwellings.

The dwelling selection process is as follows:

1. Within every domain of study or area of interest, all Basic Geoestatistical Areas (BGSA's) are identified.

2. The BGSA's are stratified by a multivaried procedure considering socio-economic variables.

3. The primary sampling units (PSU) are formed with the following conditions:
   ♦ One BGSA with a minimum of 240 dwellings and a maximum of 480 dwellings.
   ♦ Two or more adjacent BGSA's from the same stratum with a minimum of 240 dwellings.
   ♦ Part of a BGSA with a minimum of 240 dwellings and a maximum of 480 dwellings.

4. The PSU's are selected with probability proportional to the number of dwellings, according to the last general count made in the urban areas.

5. Every selected PSU is visited and a dwelling count is made, using a systematic procedure. This count makes it possible to identify all the buildings being used as private dwellings, with the objective of updating the PSU schematic.

6. The secondary sampling units (SSU's) or listing areas are formed with the following conditions:
   ♦ A block with a minimum of 40 dwellings
   ♦ Two or more adjacent blocks with at least 40 dwellings.

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* The NUES is a survey carried out every quarter in dwellings of the 48 most important metropolitan areas of the country and collects information about employment and unemployment levels of the population.

♦ Part of a block with a minimum of 40 dwellings.

7. In every sampled PSU, six SSU's are selected with probabilty proportional to the number of dwellings according to the PSU count.

8. In every selected SSU a listing is made of existent dwellings, and five dwellings are selected from this listing using a systematic selection scheme.

In the dwellings visited by the NUES, the households with at least one self-employed person or business owner are identified. These hoseholds are used to make a listing of units of interest, from which 10,000 households are selected with equal probability.

The survey is carried out every two years, collecting the following information:

1. Characteristics of the microbusiness regarding:
   ♦ Branch of activity.
   ♦ Type of locale.
   ♦ Size, in number of workers.
   ♦ Type of financing.
   ♦ Work positions of owners and workers.

2. Accounting organization, amounts invested in fixed assets; suppliers and clients.

3. Socio-demographic characteristics of the workers and their employment conditions.

4. Migration and sector background of the owners of the microbusiness, including   information about prior work position, place of birth and of residence and date of migration.

The following table shows the informal establishments captured by the survey but not by the Economic Censuses.

Distribution of Microestablishments and Occupied Personnel
in the Informal Sector by Activity Sector

Activity Sector	Number of Establishments	(%)	Occupied Personnel	(%)
Manufacturing	388,759	13.8	530,487	14.0
Construction	236,347	8.4	263,158	6.9
Commerce	766,488	27.1	1,082,588	28.6
Services	1,239,727	43.9	1,695,360	44.7
Transport	192,925	6.8	220,310	5.8
Total	**2,824,246**	**100.00**	**3,791,903**	**100.00**

Conclusions.

As may be concluded from this presentation, In Mexico we still have a long way to go in order to have updated directories of the economic units. In reference to the units within the formal economy, there is the possibility of taking advantage of the administrative registers kept by various institutions, but first we must reach an agreement for the sharing of this information, and then carry out the task of integrating these registers in a single directory.

Regarding informal establishments, the ideal is to implement measures of economic and fiscal policy to minimize their ocurrence. But before this happens, the strategy for the follow-up of informal establishments presented here, even though it does not provide a complete list or formal frame of these units, does make it possible to have global estimates of their number, composition and evolution in time. For practical purposes, this information is the final objective being pursued, since a directory as such, is only a mean to accomplish this objective.